

ROLL CALL

Industry, Congress Warm Up to Carbon Cap

March 11, 2008

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Advocates of a cap-and-trade system for carbon emissions to counter global warming say odds are increasing for a bipartisan breakthrough this year, with industry opposition thawing, support from the three major remaining presidential candidates and little else of consequence on the Congressional agenda.

Plenty of roadblocks remain, but the wheels of legislation are turning, particularly in the House Energy and Commerce Committee, where Chairman John Dingell (D-Mich.) and Energy and Air Quality Subcommittee Chairman Rick Boucher (D-Va.) are writing a bill aimed at winning support from both sides of the aisle as well as from both major industry groups and environmentalists.

Boucher said that there is a 50-50 chance of a major cap-and-trade bill becoming law this year but an 80 percent chance next year. That puts pressure on industry to get a deal now, while a reliable friend — President Bush — continues to occupy the White House, rather than wait for President Obama, Clinton or McCain. All three support cap-and-trade, while Bush has not.

“A cap-and-trade program is now inevitable. It is a 100-percent certainty,” Boucher said, pointing to a Supreme Court decision ordering the EPA to regulate greenhouse gases.

“As a matter of law, it has to happen. Industry understands that. ... It is either going to be done by the EPA or it is going to be done by Congress.”

Boucher said there is added pressure to get something done quickly because companies are deferring decisions on major investments like power plants, which take years and hundreds of millions of dollars to build.

“The view of industry is that it’s better that it happen now rather than later, so the sooner they can make decisions about long-term capital investments,” Boucher said.

House Republican Conference Chairman Adam Putnam (Fla.) agreed there is a chance for a global-warming deal this year, with CEOs telling lawmakers they want

certainty and are worried about what might happen next year. "There is an opportunity this year for the [Bush] administration to remain a player," Putnam said. "They know what they have now, and I think industry would prefer to get a deal done this year."

That would be not unlike the pressure that sparked passage of an increase in Corporate Average Fuel Economy standards. Industry had resisted such a move for years, but faced with a possible Democratic president and Democratic Congress next year, industry negotiated the best deal it could get, resulting in the first updated standards in more than 30 years.

"I do believe we can do this," said Rep. John Shimkus (R-Ill.), a member of Boucher's subcommittee who said he is part of a bipartisan group of lawmakers who want to write a bill. And Shimkus said the White House has been amenable to a deal that industry can live with and said environmental groups, not Bush, might stand in the way because of opposition to provisions for the coal and nuclear industries.

"My fear is that the environmentalists on the left have a strategy and a goal to delay and obstruct until they get an unrealistic bill," he said. "I don't think it's a White House problem."

"They want a world we can't survive in — no expansion of nuclear and coal," Shimkus said. "And they have a lock on the leadership of this House."

Shimkus said allowing coal plants to be built in return for agreements to provide carbon sequestration upgrades will have to be part of the deal.

Behind the scenes, environmental groups have been split, with some looking toward next year when a more environmentally pure bill might be possible, and others, notably Environmental Defense, pushing hard for a deal this year.

"You've got to take your shot while you can," said Environmental Defense spokesman Tony Kreindler. Kreindler said there are no guarantees that global warming gets done next year, either, with the economy, Iraq and health care likely to take top billing in a new administration.

"That takes a lot of bandwidth of the Congress," he said. "We see every reason to get something done now. This is the last big bill. And this is not just for the Democrats. If the Congress wants to show the people that they can make progress on a big issue, climate might be that last chance. All the pieces are in place, and they have the time to do it."

Prospects in the Senate are murky, with some environmental groups lobbying to kill a bill sponsored by Sens. Joe Lieberman (ID-Conn.) and John Warner (R-Va.) unless credits for carbon-emitting industries are nixed and caps tightened, while some Republicans oppose any mandatory emissions controls.

In a conference call Monday, Warner urged a group of Southern Baptists concerned about global warming to back his legislation. "It is the only train that will be moving through the Senate this year," he said.

If it fails, he warned it could be “two or three years into a new administration” before the issue is dealt with again, and Warner said the bill could always be modified as more is learned about the issue.

“It’s important that the United States make its mark and lead,” Warner said.

Boucher is making no guarantees of when his committee will produce a bill, although he suggested it would have to be on the House floor by the summer to get through the Congress this year.

“We want to be sure that when we put the measure forward that it has bipartisan support, that it has industry support, that every concern is addressed,” Boucher said. “You don’t get that by rushing a bill through and having it be partisan. ... This is the largest, most challenging in terms of legislative construction, issue that Congress has faced. The entire economy is affected, and it requires the most careful consideration.”

The concept behind a cap-and-trade system is simple, but the particulars are complex. The idea is to create a market for carbon emissions under a steadily falling cap, forcing ever more efficiency. The market will effectively increase the value of energy sources that do not emit carbon, such as nuclear, solar and wind, as well as the value of carbon-capture technologies and processes.

That creates major winners and losers, as carbon emitters lobby for free credits, protection from overseas competitors who don’t face the same restrictions and assorted other goodies, potentially with hundreds of billions of dollars a year at stake.

Boucher predicted the legislation would prompt a green industrial revolution that would boost the economy overall. “The U.S. is going to dominate the world in the manufacture and sale of low-carbon-emitting technologies,” Boucher predicted. “When people ask what will be the cost, I believe there will be an economic benefit.”

But getting a deal will be a huge challenge, with some powerful lawmakers still questioning whether Congress should do anything at all.

“We haven’t even established that there is a problem that we can do something about,” said Rep. Joe Barton (R-Texas), ranking member of the Energy and Commerce Committee. Barton said the odds that humans are affecting the climate are probably “much closer to zero than it is to 100 percent. I would almost say it is less than 1 percent.”

Barton later dismissed support from some industries.

“All the industry groups that are signing on are signing on because they think they can make money or game the system,” Barton said.

The bill also could get tripped up over trade. Susan Schwab, Bush’s trade representative, warned Congress last week that they could provoke a trade war if they adopt provisions that would effectively put tariffs on imported goods from countries without carbon caps such as China and India.

Dingell and Boucher acknowledge that providing a level playing field for domestic industries, without violating international trade laws, will be a challenge. Members from both parties want to make sure that home-state manufacturers won't face a costly regulatory burden that could send jobs overseas. They are looking at proposals from players in the power industry, the steel industry and others to force importers to buy carbon credits or face some other penalty to level the playing field.

"My concern is that it's global warming, it's not American warming," said Rep. Mike Doyle (D-Pa.), a member of Boucher's panel who has major steel interests in his district. "We've got to protect our industry, and we can't get ahead of the technology."

That being said, Doyle said, "I think we're close. I'm seeing everyone give a little ground."

Doyle also said that he has warned industry groups to come to the table with alternatives instead of simply opposing the legislation.

"You're either at the table or on the menu," he said. "This train is leaving the station."